



**DATE:** July 24, 2024

**TO:** Interstate Insurance Product Regulation Commission

**FROM:** Insurance Compact Finance Committee

**RE:** Report of Finance Committee Activities for Joint Meeting of the Management Committee and Commission

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The Insurance Compact Finance Committee met earlier in July to review the Compact's current 2024 financials.

As of the end of April, the Compact has earned \$1,881,508 in revenue which is 92% of budgeted revenue of \$2,053,664. Expenses are under the budgeted \$1,158,376 by 10% or \$110,531.

The Finance Committee received a report on the development of the Compact's 2025 Annual Budget. The Annual Budget will be recommended later this summer to the full Commission with final action taken later this fall.

The Finance Committee will continue to monitor the financials with the Compact Office.

Please contact the West Virginia Commissioner Allan McVey, Chair of the Insurance Compact Finance Committee, or Karen Schutter, Executive Director for questions or further information.



**JOINT MEETING OF THE MANAGEMENT COMMITTEE AND THE  
INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION**

**Thursday, April 25, 2024  
3 pm EDT / 2 pm CDT / 1 pm MDT / 12 pm PDT**

**Via WebEx**

**AGENDA**

1. **Roll Call**
2. **MANAGEMENT COMMITTEE AND COMMISSION CONSIDERATION OF ADOPTION OF INDEX LINKED VARIABLE ANNUITY CONTRACT STANDARDS:** Consider for final action the proposed *Standards for Individual Deferred Index Linked Variable Annuity Contracts (Commonly Marketed as Registered Index Linked Annuities)* and amendments to the *Additional Standards for Market Value Adjustment Feature Provided Through a Separate Account*

**EXPLANATION:** On January 31<sup>st</sup>, at the direction of Commissioner Birrane as Chair of the Insurance Commission pursuant to Article IV, Section 2(a) of the Bylaws, the Product Standards Committee recommendation for certain Uniform Standards was issued for publication and comment. The specific Uniform Standards are the *Standards for Individual Deferred Index Linked Variable Annuity Contracts (Commonly Marketed as Registered Index Linked Annuities)* and amendments to the *Additional Standards for Market Value Adjustment Feature Provided Through a Separate Account*. A Public Hearing took place on March 18<sup>th</sup> during the Phoenix in-person meeting. Written comments were due on April 2<sup>nd</sup> and are found on the Docket. These Uniform Standards and any amendments in response to comments will be considered for adoption by the Management Committee and Commission.

3. **PUBLIC HEARING ON PROPOSED AMENDMENTS TO CERTAIN UNIFORM STANDARDS FOR USE WITH INDEX LINKED VARIABLE ANNUITY CONTRACT STANDARDS**

**EXPLANATION:** The Management Committee is holding a public hearing for amendments to certain individual annuity benefit feature standards to expand their scope for use with the proposed Standards for Individual Deferred Index Linked Variable Annuity Contracts. The amended Uniform Standards are:

- Additional Standards for Index-Linked Crediting feature for Deferred Non-Variable Annuities and the General Account Portion of Individual Deferred Variable Annuity Contracts
- Additional Standards for Bonus Benefits (for Individual Deferred Non-Variable Annuities)
- Additional Standards for Market Value Adjustment Feature Provided Through the General Account
- Additional Standards for Bonus Benefits for Individual Deferred Variable Annuity Contracts
- Additional Standards for Guaranteed Minimum Death Benefits for Individual Deferred Variable Annuities
- Additional Standards for Waiver of Surrender Charge Benefit.

The amended standards and the accompanying Transmittal Memo can be found on the Docket Developing Standards and Events pages of the Compact's website. Written comments will be accepted until May 20, 2024.

4. **REPORT AND RECOMMENDATION OF THE PRODUCT STANDARDS COMMITTEE TO COMMENCE RULEMAKING OF UNIFORM STANDARDS AND CONSIDERATION BY THE MANAGEMENT COMMITTEE TO APPROVE THE REPORT AND RECOMMENDATION**

**EXPLANATION:** The Product Standards Committee expects to bring forward a recommendation to the Management Committee for amendments to one or more Uniform Standards.

5. **COMMISSION CONSIDERATION OF REQUEST BY NORTH DAKOTA FOR EXTENSION OF ITS STAY OF THE DISABILITY INCOME UNIFORM STANDARDS**

**EXPLANATION:** There will be an update on North Dakota's request to stay the Disability Income Uniform Standards while it continues to work through its concerns. The Commission will consider a request for extension of the stay.

6. **MANAGEMENT COMMITTEE CONSIDERATION OF APPOINTMENT TO THE CONSUMER ADVISORY COMMITTEE**

**EXPLANATION:** The action item is to consider an application to serve on the Consumer Advisory Committee and the recommendation of the Compact Officers for appointment to an open seat on this Committee. Further information will be sent to the members of the Commission in advance of the meeting.

7. **CONSENT AGENDA:** Joint Action Item by the Management Committee and Commission to Adopt the Reports of the Committees and Minutes from the March 18, 2024, Joint Meeting of the Management Committee and the Commission.

**EXPLANATION:** This joint action item is to consider adoption by consent the written reports of the Adjunct Services Committee, Finance Committee, and Rulemaking Committees, the Operational Report of the Executive Director, and the Minutes of the March 18, 2024, Joint Meeting.

8. **Any Other Matters**

9. **Adjourn**

**Members of the Commission and Department Staff in Attendance:**

Director Eric Dunning, Vice Chair, Nebraska  
Director Elizabeth Kelleher Dwyer, Past President, Rhode Island  
Matthew Gendron, Rhode Island  
Commissioner Mark Fowler, Alabama  
Yada Horrace, Alabama  
Sarah Bailey as a designated representative for Director Lori Wing-Heier, Alaska  
Cabinet Officer Barbara Richardson, Arizona  
Johnny Flippo as a designated representative for Commissioner Alan McClain, Arkansas  
Sydney Sloan as a designated representative for Commissioner Michael Conway, Colorado  
Paul Lombardo as a designated representative for Commissioner Andrew Mais, Connecticut  
Jessica Luff as a designated representative for Commissioner Trinidad Navarro, Delaware  
Howard Liebers as a designated representative for Commissioner Karima Woods, District of Columbia  
Tom Carswell as a designated representative for Commissioner John King, Georgia  
Lisa Zarko as a designated representative for Commissioner Gordon Ito, Hawaii  
Kathleen Nakasone, Hawaii  
Shannon Hohl as a designated representative for Director Dean Cameron, Idaho  
Jeff Varga as a designated representative for Acting Director Ann Gillespie, Illinois  
Victoria Hastings as a designated representative for Commissioner Amy Beard, Indiana  
Andria Seip as a designated representative for Commissioner Doug Ommen, Iowa  
Julie Holmes as a designated representative for Commissioner Vicki Schmidt, Kansas  
Commissioner Sharon Clark, Kentucky  
Frank Opelka as a designated representative for Commissioner Tim Temple, Louisiana  
Tim Schott as a designated representative for Superintendent Bob Carey, Maine  
Nour Benchaaboun as a designed representative for Commissioner Kathleen Birrane, Maryland  
Sheri Cullen as a designated representative for Acting Commissioner Rachel Davison, Massachusetts  
Tina Nacy as a designated representative for Director Anita G. Fox, Michigan  
Tammy Lohmann as a designated representative for Commissioner Grace Arnold, Minnesota  
Bob Williams as a designed representative for Commissioner Mike Chaney, Mississippi  
Director Chlora Lindley-Myers, Missouri  
Jo LeDuc, Missouri  
Commissioner Scott Kipper, Nevada  
Victoria Fowler as a designated representative for Commissioner DJ Bettencourt, New Hampshire  
Acting Commissioner Justin Zimmerman, New Jersey  
Ted Hamby as a designated representative for Commissioner Mike Causey, North Carolina  
John Arnold as designated representative for Commissioner Jon Godfread, North Dakota  
Dan Bradford as designated representative for Director Judith French, Ohio  
Commissioner Glen Mulready, Oklahoma  
Brian Downs, Oklahoma  
TK Keen as a designated representative for Director Andrew Stolfi, Oregon  
Brian Fjeldheim, Oregon  
Shannen Logue as a designated representative for Commissioner Michael Humphreys, Pennsylvania  
Roderick Brooks as a designated representative for Commissioner Carter Lawrence, Tennessee  
Debra Diaz-Lara as a designated representative for Commissioner Cassie Brown, Texas  
Latif Almanzan, Texas  
Commissioner Jonathan Pike, Utah  
Tanji Northrup, Utah  
Commissioner Kevin Gaffney, Vermont

Mary Block, Vermont

Mary Ashby Brown as designated representative for Commissioner Scott A. White, Virginia

Ned Gaines as designated representative for Commissioner Mike Kreidler, Washington

Erin Hunter as designated representative for Commissioner Allan McVey, West Virginia

Commissioner Nathan Houdek, Wisconsin

Rebecca Rebholz, Wisconsin

Commissioner Jeff Rude, Wyoming

**Legislative Committee:**

Representative Brian Patrick Kennedy, Rhode Island

**Consumer Advisory Committee:**

Brendan Bridgeland

Jane Cline

Fred Nepple

**Industry Advisory Committee:**

Wayne Mehlman, ACLI

Eric Weinstein, Massachusetts Mutual Life Insurance Company

Sarah Wood, IRI

Mike Drislane, Brighthouse Financial

Andrea Davey, Protective Life Insurance Company

**Insurance Compact Staff in Attendance:**

Karen Schutter, Executive Director

Becky McElduff, Director of Product Operations & Chief Counsel

Sara Dubsky, Assistant Director of Administrative Operations

Sarah Neil, Communications and Outreach Coordinator

Naomi Kloeppersmith, Actuary Reviewer III

Katie Campbell, Sr. Actuary I

Sue Ezalarab, Consultant

Joe Bonfitto, Product Reviewer

Director Dunning called to order the interim meeting of the Joint Management Committee and Commission. Ms. Schutter took the roll call of the Management Committee, the members of the Commission, Legislative Committee, and Industry and Consumer Advisory Committees.

Director Dunning moved to the second item on the agenda, Management Committee and Commission consideration of adoption of the *Index Linked Variable Annuity Contract Standards*. Commissioner Dunning stated this is a joint action item of the Management Committee and Commission to consider for final adoption the new Standards for Individual Deferred Index Linked Variable Annuity Contracts, or ILVAs. ILVAs are commonly referred to as Registered Index Linked Annuities, or RILAs. Also ready for adoption are amendments to the *Additional Standards for Market Value Adjustment Feature through a Separate Account*.

Director Dunning asked Ms. Schutter to provide an overview of the rulemaking process for the standards. Ms. Schutter stated this process for the new standard started back in 2019 with the Product Standards Committee

(PSC) and the Actuarial Working Group (AWG) and that the two standards that are ready for adoption were published for notice and comment on January 30<sup>th</sup> with the public hearing at the Phoenix meeting on March 18<sup>th</sup>. The Compact received three comment letters during the written period. The comments from the Oregon Division of Financial Regulation were addressed first. Oregon was called upon to address the comments and Mr. Keen came forward to provide Oregon's comments. Mr. Keen noted this was problematic due to Oregon's nonforfeiture laws at present. Director Dunning asked if anyone from the ILVA Subgroup that could speak to the issue of the product design Oregon is concerned with. Mr. Benchaaboun commented that the issue on this particular product, the subgroup and group discussed extensively whether, or not to allow for 100% buffer and 0% full products for this particular as well as Actuarial Guideline 54 and the Compact standard provides strong consumer protection for consumers and the subgroup has considered the buffer recommendation and supports it and the Uniform Standard. Director Dunning suggested the final vote on this standard not be held up and rather ask Oregon to possibly consider pursuing a stay with respect to this standard while it considers whether to opt out especially if they currently do not accept the ILVA product designs permitted in the Uniform Standard. Is there any objection to that approach from Oregon? Director Dunning then opened up the floor for additional comments from members or interested parties on Oregon's comment letter.

Mr. David Bolton, an interested party, commented that he would encourage a vote of no on the standards because with a buffer annuity, he could not see how that would work for consumers and suggested that it be sent to the consumer protection committee and have them analyze and said that he would be happy to assist. Director Dunning asked if there were any further comments. Mr. Serbinowski noted the comments that Oregon made are specific about the part of the standard pertaining to the nonforfeiture law. Mr. Serbinowski also stated that a majority of states currently accept and review these products. The standards are going to detailed, consumer-oriented product requirements than are currently in the state laws for this particular product. Mr. Keen clarified that Oregon's issue is a specific legal issue and Oregon is not taking the position that this issue applies to other states. Mr. Keen stated that Oregon would consider opting out if the standard moves forward. Director Dunning asked if there were any comments, in addition to their written comments, from the Insured Retirement Institute in support of final adoption of the ILVA Standard. Ms. Wood stated that they were in support of the proposed standards. Director Dunning asked for any other comments. Hearing none, Director Dunning moved to the joint comment letter from the American Council of Life Insurers (ACLI) and the Committee on Annuity Insurers and asked if there were any comments. Mr. Mehlman stated the ACLI and the Committee of Annuity Insurers are in full support of the new standards and would like consideration of the adding a drafting note in Section 3. (K) of the ILVA Standard regarding Discontinuation or Substantial Change to an Index using a previous written response of the PSC's ILVA Subgroup clarifying the intent of this provision. Director Dunning indicated the PSC was asked to review this written request from ACLI and CAI and provide feedback on the suggested edit.

Ms. Seip provided the Product Standards Committee's (PSC) feedback. Ms. Seip stated that the PSC was asked to review the letter and the letter was submitted to ensure that there was clarity. The PSC has no concern with adding the drafting note.

Director Dunning stated that this is a joint action item for these Uniform Standards and asked for a motion from a member of the Management Committee to amend the Standards for Individual Deferred Index Linked Variable Annuity Contracts to add the drafting note recommended by the Product Standards Committee. The motion was made by Cabinet Officer Richardson and seconded by Mr. Benchaaboun. Director Dunning asked if there were any questions or comments. Seeing none, Director Dunning then took a voice vote. Motion carried. Oregon abstained.

Director Dunning asked for a motion from a member of the Management Committee to adopt the Standards for Individual Deferred Index Linked Variable Annuity Contracts as it was just amended and Additional Standards for Market Value Adjustment Feature through a Separate Account. The motion was made by Commissioner Rude and seconded by Mr. Benchaaboun. Director Dunning asked for questions and comments. Hearing none, Director Dunning asked for a roll call vote. The motion carried by a two-thirds majority of the Management Committee and Commission, respectively, with Oregon abstaining.

Director Dunning moved to the third item on the agenda, the public hearing on proposed amendments to certain Uniform Standards for use with Index Linked Variable Annuity Contract Standards. Director Dunning stated this was a public hearing to receive oral comments on amendments to several Uniform Standards that the PSC recommended during the in-person meeting on March 18<sup>th</sup>. Director Dunning asked Ms. Schutter to provide an overview of these Uniform Standards and the rulemaking process. Ms. Schutter provided an overview of the amendments to the following existing standards: *Additional Standards for Indexing Crediting Feature for Deferred Non Variable Annuities and the General Account portion of Individual Deferred Variable Annuity Contracts*; *Additional Standards for Bonus Benefits for Individual Deferred Non Variable Annuities*; *Additional Standards for Bonus Benefits for Individual Deferred Variable Annuity Contracts*; *Additional Standards for Market Value Adjustment Feature provided through the General Accounts*; *Additional Standards for Guaranteed Minimum Death Benefits for Individual Deferred Variable Annuity*; and *Additional Standards for Waiver of Surrender Charge Benefit*. Director Dunning asked if there were any comments from the Legislative, Consumer Advisory and Industry Advisory Committees. Hearing none, Director Dunning opened up the floor for any additional comments. Mr. Bolton commented that he was concerned about the change to the forms and his concerns regarding Mix and Match. Mr. Bolton went on to state that if these standards were going to be developed and are going to be the standards for those part of the Compact, they should be regular standards and not be lowered or modified by other forms that have not been approved and consumer protections standards is being reduced. Director Dunning thanked Mr. Bolton for his comments and asked if there were any further comments from the public. Hearing none, Director Dunning closed the public hearing portion. Director Dunning reiterated that there is still opportunity to comment stating that the written comment period is open until May 20<sup>th</sup> and the committee will continue to consider these amendments for adoption.

Director Dunning moved to the fourth item on the agenda, report and recommendation of the Product Standards Committee to commence rulemaking of Uniform Standards and consideration by the Management Committee to approve the report and recommendation. Director Dunning, asked Ms. Seip to provide the report. Ms. Seip reported that the PSC has finalized the draft amendment to the *Additional Standards for Guaranteed Living Benefits for the Individual Deferred Variable Annuities* and is recommending that the Management Committee initiate the rulemaking procedure with respect to the proposed Uniform Standard. The PSC ILVA Subgroup developed the amendments to the Additional Standards to accommodate use with the index linked variable annuity products. The ILVA Subgroup also addressed an item on the 2024 Uniform Standards Development Prioritization list regarding the benefit base in Section 3(C), which is used to determine guaranteed living benefits (GLB). Ms. Seip went on to state that the PSC held two public calls to receive comments, one on February 13<sup>th</sup> and the second on April 9<sup>th</sup>. During the public call on February 13<sup>th</sup>, the ACLI/CAI asked for there to be additional amendments to the base benefit to allow unlimited decreases in draw amounts based on index changes meaning no minimum guaranteed benefit. A discussion was had after the February 13<sup>th</sup> call and the PSC decided that it would reject the ACLI/CAI requested revisions because the minimum percentage was more appropriate for these guaranteed benefits. In the April 9<sup>th</sup> call, two insurers made the request that there be an exception to the “Guaranteed Benefit Base” calculation to allow income benefits that use the value of the account. The PSC considered the proposal, and the determination was made that the description of the benefit in the letter did not fit within the standard and did not accept the proposed revisions. Ms. Seip concluded her report. Director Dunning stated that was a procedural matter so there were would no comments on the item as the recommendation was

simply being received. Director Dunning asked if there were any procedural questions. Seeing none, Director Dunning asked if there was a motion by a member of the Management Committee to receive the recommendations of the PSC and publish the proposed amendments for comment. The motion was made by Commissioner Rude and seconded by Mr. Benchaaboun. Director Dunning then moved to a voice vote on the agenda item. Director Dunning asked if there were any abstentions. Hearing none, motion carried.

Director Dunning moved to the fifth item on the agenda, Commission consideration of the request by North Dakota for extension of its stay of the Uniform Standards individual and group disability income products. Director Dunning stated that the Commission was going to consider a request for extension from North Dakota to continue to stay the effectiveness of the disability income Uniform Standards while it works through a conflict with its state laws. North Dakota was granted a 6 month stay at our August meeting last year as they needed more time to review the disability income Uniform Standards and work through any conflicts. North Dakota is asking the Commission to extend this stay until May 1, 2025, as upon further consideration, they may need to make changes to their laws. North Dakota has a legislative session every other year and did not have one this year. Director Dunning gave North Dakota an opportunity to add anything before asking for the motion. Mr. Arnold thanked Director Dunning for the opportunity. Mr. Arnold stated that with their biannual sessions, any legal changes would be made during North Dakota's next legislative session which is planned for January through April 2025, plus will need time to draft administrative rules if necessary. Director Dunning stated the original request expired earlier this year so the extension would need to be tied back to February 18<sup>th</sup>. Director Dunning asked if there were questions or comments from members or interested parties before asking for a motion. Cabinet Officer Richardson asked for clarification with regard to the date the Commission was providing Director Dunning stated the extension would run from February 18, 2024 to May 1, 2025, rather than a one year extension. Director Dunning stated that this is a Commission action item and asked for a motion from the any member to grant North Dakota a stay of the Individual and Group Disability Income Uniform Standards back to February 18, 2024 to May 1, 2025. The motion was made by Cabinet Officer Richardson and seconded by Director Dwyer. Director Dunning asked for a voice vote. The motion carried.

Director Dunning moved to the sixth item on the agenda, Management Committee's consideration of appointment to the Consumer Advisory Committee (CAC). Director Dunning stated that this action item of the Management Committee is to appoint Mr. Chris Kite to the open seat on the Consumer Advisory Committee and there is a memo in the meeting materials regarding Mr. Kite and his background. Mr. Kite was recommended to serve on this Committee by one of our current CAC members, Dick Weber. Mr. Kite is fully retired and spent his career focusing on life insurance analysis for illustrations and policy administration. There is one open seat on the Consumer Advisory Committee and the Officers have reviewed their materials and agree he would be an excellent contributor on this committee. Director Dunning asked if there were any questions or comments from members or interested parties regarding the appointment of Mr. Kite to the Consumer Advisory Committee. Hearing none, Director Dunning asked for a motion from a member of the Management Committee to appoint Mr. Kite to the Consumer Advisory Committee. The motion was made by Mr. Benchaaboun and seconded by Commissioner Rude. Director Dunning stated that this is a voice vote of the Management Committee. The motion carried.

Director Dunning moved to the seventh agenda item, consent agenda. Director Dunning stated that this was to adopt the Consent Agenda items. The agenda items include the minutes from the March 18<sup>th</sup> joint meeting of the Management Committee and Commission; the Report of the Finance Committee, and the Executive Director operational report. These materials were distributed to the members in advance of today's meeting. Director Dunning stated that this was a joint action and asked for a first and second motion from a member of the Management Committee to adopt the Consent Agenda items. The motion was made by Director Dwyer and seconded by Cabinet Officer Richardson. Director Dunning held a voice vote of the Management Committee and Commission. The motion carried.



Director Dunning asked if there were any other items that needed to be brought forth to the Commission before adjournment.

Hearing no other matters to be brought forward, Director Dunning asked if there was a motion to adjourn. The motion was made by Director Dwyer and seconded by Mr. Schott. Motion carried. Director Dunning adjourned the meeting.